

220.1

DEPARTMENT OF PARKS AND RECREATION
REVIEW OF CONCESSION AGREEMENTS FOR PROPERTY
ACQUIRED FOR BUT NOT BEING USED
FOR PARK PURPOSES

AUGUST 1974

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August 22, 1974

The Honorable Speaker of the Assembly
The Honorable President of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members:

Transmitted herewith is the Auditor General's report pertaining to three properties under concession agreements administered by the State Department of Parks and Recreation.

As a result of improper concession agreements approved by the Department of Parks and Recreation, the public is excluded from three beach front parcels which are being used by private persons including two private beach clubs and a private university. These three parcels were acquired for state park purposes between 1950 and 1968, at a total cost of approximately \$2.4 million.

The properties consist of 2.93 acres used as a private beach club by the Sand and Sea Club in Santa Monica, .39 of an acre used for private beach club parking by the Jonathan Club in Santa Monica, and 9.0 acres, consisting of a 5,200 square foot beach house and adjacent property used by Pepperdine University as a residence for its Chancellor at Malibu Lagoon State Beach.

The Sand and Sea Club is operated on state property under a city-state agreement by the City of Santa Monica. The city, with approval of the Department of Parks and Recreation, has entered into a concession agreement which expires in 1981 with Pacific Parks, Inc., doing business as the Sand and Sea Club. Club membership consists of approximately 440 family memberships and 15 single memberships.

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The departmental files contain a multitude of evidence starting in 1964, clearly demonstrating that operating this property as a private beach club to the exclusion of the public is an improper use of state property and there is a need to develop the property for the purpose for which it was acquired, public parking at Santa Monica State Beach.

For example, in a June 3, 1971 letter, the director of the department stated:

"It is my feeling that this property was purchased for public park purposes and that continuing to use it for a private club is an improper use of the property and is denying the public the use of park lands."

Property adjacent to the Jonathan Club was turned over to the City of Santa Monica under the terms of a city-state beach operating agreement. The city, with the approval of the Department of Parks and Recreation, entered into a concession agreement with the Jonathan Club, another private beach club, for operation of the property as a public parking lot. However, the primary use of the property has improperly been parking for club members only, to the exclusion of the public, which is known by the department.

The beach house and adjacent property at Malibu Lagoon State Beach was not to have been used for the exclusive benefit of any particular segment of the public. However, the public has been improperly excluded from approximately nine acres of the parcel. A portion of this nine acres, including the beach house and other facilities, has been leased back by the Department of Parks and Recreation to the seller under a concession agreement requiring no cash rent payment. This agreement has permitted the current use of the property by Pepperdine University as a residence for its Chancellor.

The use of these three properties by private persons to the exclusion of the public is clearly improper.

The Auditor General has recommended that the Sand and Sea Club, the Jonathan Club, and beach house concession agreements be terminated immediately and that these properties be made available to the public.

Private persons are underpaying the state and the City of Santa Monica an estimated \$138,600 annually for the exclusive use of these beach front properties.

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The Sand and Sea Club is currently underpaying the City of Santa Monica \$105,000 annually. The concession agreement for the beach house and adjacent property used by Pepperdine University has resulted in an annual underpayment to the state of \$33,600.

The Auditor General has concluded that the failure to obtain adequate rentals from these beach front properties was not in the best interests of the state.

Respectfully submitted,

A handwritten signature in cursive script, reading "Vincent Thomas".

VINCENT THOMAS, Chairman
Joint Legislative Audit Committee

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SUMMARY OF FINDINGS,
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FINDING

As a result of improper concession agreements approved by the Department of Parks and Recreation, the public is excluded from three beach front parcels which are being used by private persons, including two private beach clubs and a private university. These parcels were acquired for state park purposes from six to 24 years ago at a cost of approximately \$2.4 million.

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RECOMMENDATION

We recommend that the Sand and Sea Club, the Jonathan Club and the beach house concession agreements be terminated immediately and that these properties be made available to the public.

7

BENEFITS

Implementation of this recommendation will result in the availability of these three properties to the public.

7

FINDING

Private persons are underpaying the state and the City of Santa Monica an estimated \$138,600 annually for the exclusive use of these beach front properties acquired for state park purposes.

8

CONCLUSION AND RECOMMENDATION

We conclude that the failure to obtain the adequate rentals from these beach front properties was not in the best interests of the state. As previously recommended, the concession agreements for the three beach front properties should immediately be terminated in order that these properties can be made available to the public.

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INTRODUCTION

Pursuant to a legislative request, we have reviewed selected concession agreements of the Department of Parks and Recreation. This report pertains specifically to three concession agreements administered by the department for property not being used for state park purposes.

The department acquires, designs, develops, operates and maintains the components of the state park system and provides assistance in the acquisition and development of local recreational facilities.

As of January 1, 1974, the state has invested approximately \$230 million to acquire and develop the state park system. The administration of these facilities accounts for 87 percent of the proposed 1974-75 expenditures of the department, excluding capital outlay.

The Department of General Services provides property appraisal, negotiation and in most cases management of the acquired parcels until the department begins development. However, the Department of Parks and Recreation assumes the management responsibility for some parcels upon acquisition.

The present Director of the Department of Parks and Recreation took office in March 1967.

FINDINGS

AS A RESULT OF IMPROPER CONCESSION AGREEMENTS APPROVED BY THE DEPARTMENT OF PARKS AND RECREATION, THE PUBLIC IS EXCLUDED FROM THREE BEACH FRONT PARCELS WHICH ARE BEING USED BY PRIVATE PERSONS, INCLUDING TWO PRIVATE BEACH CLUBS AND A PRIVATE UNIVERSITY. THESE PARCELS WERE ACQUIRED FOR STATE PARK PURPOSES FROM SIX TO 24 YEARS AGO AT A COST OF APPROXIMATELY \$2.4 MILLION.

Three parcels of beach front property acquired by the department as long as 24 years ago for state park purposes are being used by private persons, to the exclusion of the public.

The three properties under concession agreements are as follows:

<u>Property Description</u>	<u>Acreage</u>	<u>Use</u>	<u>Year Acquired</u>	<u>Year Concession Agreement Expires</u>	<u>Cost</u>
Sand and Sea Club, Santa Monica State Beach	2.93	Private Beach Club	1960	5/31/81	\$1,100,000
Jonathan Club, Santa Monica State Beach	.39	Private Beach Club Parking	1950	12/1/74	36,000
Beach house and adjacent property Malibu Lagoon State Beach	9.00	Private Residence	1968	6/30/75	<u>1,300,000¹</u>
Total					<u>\$2,436,000</u>

¹/ The \$1.3 million is a proration of the total acquisition cost of \$2.7 million to that portion of the parcel to which the public does not have access. The private residence is located on .7 of an acre.

Sand and Sea Club

The Sand and Sea Club is now, and unless the concession agreement is terminated, will continue to be until 1981, a private beach club operating on state property from which the general public is excluded. The property is being operated under a city-state agreement by the City of Santa Monica which, with approval of the Department of Parks and Recreation, has entered into a concession agreement with Pacific Parks, Inc., doing business as the Sand and Sea Club. Club membership consists of approximately 440 family memberships and 15 single memberships.

The departmental files contain a multitude of evidence, starting in 1964, clearly demonstrating that operating this property as a private beach club to the exclusion of the public is an improper use of state property and that there is a need to develop the property for the purpose for which it was acquired, public parking at Santa Monica State Beach.

For example, on June 3, 1971, the director of the department wrote to the Attorney General's Office stating:

"It is my feeling that this property was purchased for public park purposes and that continuing to use it for a private club is an improper use of the property and is denying the public the use of park lands."

The Attorney General advised that:

"...as to properties such as the Sand and Sea Club facility the Department cannot legally enter into a lease or concession agreement with a private club if the Director finds that the club will have exclusive use of such property."

The file also states the Sand and Sea Club made a commitment to relocate in 1970. If that commitment had been kept, the public would now have the use of this property. Notwithstanding objections contained in the departmental files, the lease of the parcel to the Sand and Sea Club for private use was renewed in 1965, extended in 1970, again in 1971, and again in 1972 until 1981, all with the approval of the department.

Jonathan Club

In 1950, the state acquired property adjacent to the Jonathan Club which was turned over to the City of Santa Monica under the terms of the city-state beach operating agreement. The city, with the approval of the Department of Parks and Recreation, entered into a concession agreement with the Jonathan Club, another private beach club, for operation of the property as a public parking lot. However, the primary use of the property has improperly been parking for club members only, to the exclusion of the public, which is known by the department.

Beach House and Adjacent Property

The property on which the beach house is located was acquired by the state in 1968 at a cost of \$2.7 million. The property acquired consisted of 13 acres adjacent to Malibu Lagoon State Beach. The Director of Parks and Recreation's justification to fund the acquisition of this property was in part that the use and development of the property would not be for the exclusive benefit of any particular segment of the public. Notwithstanding the director's justification, the public only has access to approximately four acres of beach,

while the public is improperly excluded from the balance of the parcel (approximately nine acres) which contains the beach house and other facilities. A portion of this nine acres, including the beach house, has been leased back by the Department of Parks and Recreation to the seller under a concession agreement requiring no cash rent payment. The beach house, which contains 5,200 square feet, and adjacent property is currently being used by Pepperdine University as a residence for its Chancellor by agreement with the seller. The department is now developing plans for the use of this entire parcel which could lead to the eventual use of the property by the public.

The public has been denied the use of the public lands used by the Sand and Sea Club for 15 years, the Jonathan Club for 24 years, and the seller of the beach house with the adjacent property at Malibu for six years. The Department of Parks and Recreation has no policy controlling the period of time that the public is to be excluded from property acquired for state park purposes.

The use of these three properties by private persons to the exclusion of the public is clearly improper. The appendix to this report contains evidence of such impropriety as well as acquisition data and other information pertaining to the three concession agreements.

RECOMMENDATION

We recommend that the Sand and Sea Club, the Jonathan Club and the beach house concession agreements be terminated immediately and that these properties be made available to the public.

BENEFITS

Implementation of this recommendation will result in the availability of these three properties to the public.

PRIVATE PERSONS ARE UNDERPAYING THE
STATE AND THE CITY OF SANTA MONICA
AN ESTIMATED \$138,600 ANNUALLY FOR
THE EXCLUSIVE USE OF THESE BEACH
FRONT PROPERTIES ACQUIRED FOR STATE
PARK PURPOSES.

Under the provisions of the city-state beach operating agreement, the City of Santa Monica derives the rent from the Sand and Sea Club and the Jonathan Club, although state funds were used to acquire these properties. There are no cash rental payments for the beach house and adjacent property at Malibu Lagoon used by Pepperdine University.

The Sand and Sea Club rent is based on a fixed amount which is adjusted for the annual change in the cost of living index. The current annual rent is approximately \$45,000. In 1971, a Department of Parks and Recreation study of the rental provisions concluded that the city was receiving only 30 percent of the economic rental value of the minimum utilization of this property. Based on this study, the Sand and Sea Club is currently underpaying the city \$105,000 annually.

The Jonathan Club rent is based on the amount the city estimates it would derive from its operations as a public parking lot. Based on the city's estimates, this amount, \$4,560 annually, is reasonable and has resulted in no underpayment.

While the state derives no cash rental income from the concession agreement for the beach house and adjacent property used by Pepperdine University at Malibu Lagoon, a certain amount of maintenance and repair work is required in lieu of rent. This maintenance and repair work,

which inures to the benefit of the state, amounts to \$8,400 under the one year contract extension now in effect.

Based on data provided by real estate agents in the Malibu area, we estimate the fair rental value of the beach house and adjacent property is \$42,000 annually, or \$33,600 more than the value of the current maintenance and repair services provided. In other words, the concession agreement results in an underpayment to the state of \$33,600 annually.

CONCLUSION AND RECOMMENDATION

We conclude that the failure to obtain the adequate rentals from these beach front properties was not in the best interests of the state. As previously recommended, the concession agreements for the three beach front properties should immediately be terminated in order that these properties can be made available to the public.

SUMMARY OF COMMENTS OF THE DIRECTOR OF THE
DEPARTMENT OF PARKS AND RECREATION AND HIS STAFF

1. The extension of the Sand and Sea Club concession agreement to 1981 was proper because in consideration for the club's exclusive use of the property, the City of Santa Monica is to set up a reserve fund during the last 18 months of the lease extension to raze the structure. Further, the City of Santa Monica is to develop a master plan for the entire beach area. The city's budget includes an appropriation of \$35,000 to \$40,000 for the master plan development work, but includes no present funding to raze the structure. If other monies were obtained to raze the structure, it would be appropriate to immediately terminate this concession agreement in order that the public would not be denied the use of the public lands used by the Sand and Sea Club.
2. It should also be noted that approval of the Sand and Sea Club concession agreement considered the claimed concentrated effort by the club to make its facilities available to community youth groups.
3. The Jonathan Club concession agreement was improper and will not be renewed upon its expiration date of December 1, 1974.
4. The beach house and adjacent property concession agreement will not be renewed upon its expiration date of June 30, 1975 at which time development funds will be requested from the Legislature. However, this agreement was proper since, without occupancy of the beach house by the Chancellor

of Pepperdine University, vandalism might have occurred. Further, Pepperdine University has paid for necessary maintenance and repair work.

5. While the state derives no cash rental income from Pepperdine University, in addition to the maintenance and repair requirements, a consideration should also be given to the "value" of having a responsible family protecting the state's investment in an historic building. Further, Pepperdine University has maintained the grounds and paid for the utilities.



Harvey M. Rose
Auditor General

Date: August 20, 1974

Staff: Glen H. Merritt
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Steven L. Schutte

ACQUISITION AND OTHER DATA
PERTAINING TO THE CONCESSION AGREEMENTS

Sand and Sea Club

In 1960, the Department of Parks and Recreation acquired 2.93 acres of beach front property at Santa Monica. The property, being operated as a private club, contains a club house, locker room, beach cabanas, offices, lounge, restaurant, swimming pool, game areas, and storage areas. The property was purchased for \$1.1 million from Joseph Drown. As part of the sales agreement, the property was to be leased back to Mr. Drown. According to departmental files relating to the acquisition, the state wanted to pay only around \$1 million for the property. The high state appraisal was for \$1.3 million. Mr. Drown wanted \$1.5 million but said he would take considerably less if he could have a five-year lease of the property with a five-year option. The sale was completed. The property was then turned over to the City of Santa Monica for operation under the operating agreement executed pursuant to Section 5007 of the Public Resources Code. A concession agreement was executed between Mr. Drown and the City of Santa Monica. This concession agreement was for five years with a five-year option for renewal. The five-year option, if exercised, required Mr. Drown to demolish and remove all structures on the premises and construct a parking lot and a cafeteria-style restaurant to be open to the public. The rental rate for the first five-year term was \$20,000 per year. According to departmental files, this rental rate is based upon an amortization of the parking lot improvements Mr. Drown was to make according to the lease. The files do not indicate whether Mr. Drown's reduced selling price to the state reflected the fact that he secured a five-year concession agreement for the property.

At any rate, the concession agreement was justified by the department on the basis that additional property could be acquired by the state with the \$400,000 of funds not used to pay the full \$1.5 million asking price and that the concession agreement would save the City of Santa Monica the expense of demolishing the buildings and preparing the area for parking. Mr. Drown then operated the facility pursuant to his concession agreement for the next five years as it had been operated previously, as the Sand and Sea Club, except for the southern one-third portion of the property which contains a public parking lot and public beach food concession stand.

At the end of the first five-year term of the concession agreement, Mr. Drown stated to the city that he did not want to renew his option under the required conditions and submitted a proposal to build a nightclub-type restaurant. This proposal was not accepted.

On November 10, 1964, Mr. Drown assigned the concession agreement to Pacific Parks, Inc., a corporation wholly-owned by himself. Later, Mr. Drown sold his entire interest in Pacific Parks, Inc. to a Mr. Douglas Badt. Assignment of the concession agreement was questioned by departmental personnel in that the concession agreement specifies that Mr. Drown was to assign the concession to no one other than a corporation wholly-owned by himself.

However, on March 28, 1965, the concession agreement with Pacific Parks, Inc. was renewed for an additional five years. This renewal, in the form of an amendment to the agreement, was approved by the city council. The amendment allowed the new group, under the direction of Mr. Badt, to

operate the beach club facilities in the same manner as it had in the previous agreement with Mr. Drown. However, the original contract requirement to raze the buildings and turn the premises into a public parking area with an eating facility was omitted. The rental rate for the five-year renewal period was \$32,000 per year.

It was at this point that objections to the arrangement began to be made by the Department of Parks and Recreation personnel. The Superintendent of the State Park District Five office, stated:

"It is our observation that public parking is at an extreme premium at Santa Monica State Beach and that the property was purchased for public use. It is our belief that the greatest public need would be supplied by provision of public parking and concession facilities for refreshments. The Sand and Sea Club is supplying a good service to members of the club, but at the expense of the general public."

There was also comment upon the questionable assignment from Mr. Drown to Mr. Badt:

"I believe it would therefore be proper for us to remind the City that permission of the State must be obtained before the change in the Drown agreement can be authorized. I would, at that time, recommend that permission for the change be refused."

The Department of Parks and Recreation subsequently approved the agreement. It authorized the usage of the state-owned facilities for a private beach club for another five years ending March 27, 1970.

Office of the Auditor General

In 1968, Pacific Parks requested an extension of their concession agreement beyond the March 27, 1970 date. The extension was transmitted to the department with the following comment by the City Manager:

"In prior years, it has been our impression that your department has objected to the use of this public property by a private club. Moreover, we have from time to time felt that our stewardship of the State Beach Park was considered less than acceptable because of leases such as this one."

The Director of the Department of Parks and Recreation wrote back to the city stating:

"This Department will not approve a contract which permits the use of public lands by a private club to the exclusion of the general public",

and also wrote to the concessionaire stating:

"We have been advised by our legal counsel as well as the State Auditor that we should not extend the lease of the Sand and Sea Club beyond its present termination date of March 27, 1970. Therefore, will you please make arrangements to terminate your use of the property at the termination date of your agreement."

By report dated July 31, 1968, the department's internal auditor reported that the Sand and Sea Club concession arrangement was a "... misuse of State park lands which are dedicated to public use and for the enjoyment of all the public". The report recommended that "...this property be put to the use for which it was originally purchased".

In an August 1, 1969 memo to the Director of the Department of Parks and Recreation, the then Deputy Director recommended that the club be granted

a one year extension. The reason for this recommendation was that the club was looking for alternative locations to build a new facility. They needed an extension to their lease in order to have more time to make the required plans and arrangements. The then Deputy Director stated in the memo that the private beach club arrangement was probably satisfactory until there was some adverse public reaction and concluded:

"In the years that I have lived in the area there has never been any hew and cry about a private club on State property. Should there be any adverse reaction when the one year extension is made public, we would simply agree that under no circumstances would it be extended."

On December 30, 1969, the director wrote to the Sand and Sea Club advising them that he had appointed a task force to review the entire problem of beach acquisition development and administration in Los Angeles County. Since this study would take several months, he would grant the Sand and Sea Club a one-year extension to the lease if the club would agree to the provision that:

"...at the conclusion of that one year extension the Sand and Sea Club will in no way attempt to reverse this decision and achieve a further extension of the lease."

A one-year extension to the contract was approved by the city and the state authorizing the concessions operation through March 27, 1971. The rental rates for this year's extension were \$33,600.

In violation of their previous commitment not to request a further extension of their lease, the Sand and Sea Club, by letter dated February 7, 1971, requested the Director of Parks and Recreation to authorize another extension of the concession agreement beyond the March 27, 1971 date. The letter stated:

"Our present projection is that we will start ground preparation in September and start construction in November, with a completion date in the Summer of 1972. I do not want to represent now that we may not ask for an extension next year, since our timing might be off by a few months and it would be a very tight schedule to get the new site ready for occupancy by the Summer of 1972. However, next year you will be in a position to review the progress we have made and determine whether future considerations are reasonable."

The Assistant Deputy Director of the department advised against the extension by stating, "The reasons given for an extension are as valid this year as they were last. They will be as valid next year, and this thing could go on and on and on". On March 4, 1971 the Director wrote to Santa Monica City Manager stating:

"Although I recognize the problems encountered by them in locating new quarters, the previous extension of their lease was made with the clear understanding, as set forth in my letter to them dated December 30, 1969, that there would be no additional extensions. It is therefore anticipated that this lease will terminate on March 27, 1971."

The Director on the next day, however, opened the door for a further extension by stating in a letter to the club:

"Unless I have positive proof before March 27 that the Sea and Sand Club (sic) has in fact acquired property at Malibu, has received a permit from the County to develop Malibu Racket and Beach Club, has hired an architect to carry out the working drawings and specifications and has the financial resources necessary to complete the construction as proposed, I cannot extend your lease."

The Director sent a telegram to the city and the club on April 28, 1971 stating:

Office of the Auditor General

"State approval of the extension to Pacific Parks, Inc. was a mistake in fact. The state had no intention of approving an extension of the Sand and Sea Club contract. State expects the City and Sand and Sea Club to carry out previous agreements to vacate the premises."

The Sand and Sea Club responded by saying they had incurred considerable expense relying upon the approved agreement and that:

"Under the circumstances, we must take the position that our concession agreement with the City of Santa Monica is a valid agreement and we could not agree to vacate the premises at any date earlier than the termination date of the present concession agreement."

On June 3, 1971, the director of the department wrote to the Attorney General's office asking an opinion as to whether it was proper for the department to continue the Sand and Sea Club arrangement. He states in the memorandum:

"It is my feeling that this property was purchased for public park purposes and that continuing to use it for a private club is an improper use of the property and is denying the public the use of park lands."

The Attorney General advised that:

"...as to properties such as the Sand and Sea Club facility the Department cannot legally enter into a lease or concession agreement with a private club if the Director finds that the club will have exclusive use of such property."

The following 1971 memorandum prepared by the director describes his unsuccessful attempt to obtain entry to this state-owned property:

"On Thursday, August 11, at 11:40 a.m. I visited the Sea and Sand Club (sic) in Santa Monica. I was in a rented Hertz car, green in color, license number CPU 021. I drove into the parking area of the club. There were attendants on duty and the entrance to the parking area was controlled by a let-down bar

gate. The attendants advised me that it was not a public parking area, that parking was only available to club members. They asked for my name and whether I was a club member or not. I replied that I was not. I backed out of the entrance of the area and drove on.

"This incident certainly indicated to me that this club is exclusive to a membership list. At least it is true of its parking area."

The Sand and Sea Club's plans for locating in a new area were never carried out. According to departmental files, the club's plan for a Malibu area location was rejected by the Los Angeles County Board of Supervisors on June 24, 1971.

By letter dated September 29, 1971 the Director of Parks and Recreation advised the Santa Monica City Manager that the state would be willing to extend the Sand and Sea Club lease based on certain conditions. These conditions were: (a) that the city-state agreement be amended to establish a special reserve fund for rental proceeds from the Sand and Sea Club concession; such funds be used to develop a master development plan for Santa Monica State Beach and improvements to the beach pursuant to the development plan, (b) the concession agreement to be approved by the Attorney General's office, (c) the lease to provide for scheduled public uses of the club's facilities, and (d) the agreement to clearly indicate general public use of the facility, not just an open membership use.

The City of Santa Monica learned that the state was considering such an extension to the concession agreement. On December 14, 1971 the City Manager wrote to the Director of Parks and Recreation stating that:

"Prior to your letter of September 28, 1971, this office has continuously assured Mr. Badt and his membership that the Sand and Sea Club lease would not be extended. In view of your indication that the State would consider a ten year leasehold term, this office has also assured Mr. Badt that the administration would be willing to discuss such an arrangement."

On April 19, 1972 the State Parks Concession Division advised the director that the concession agreement for the Sand and Sea Club arrangement was being processed but that it did not contain the director's previously stated conditions and that:

"It is very questionable whether or not the Sand and Sea Club is open to all.

"If this type of operation is one wanted and needed at the beach, should it not be on a bid process since we are considering a term of nine (9) years?"

The District Superintendent of the Department of Parks and Recreation for the district including Santa Monica also advised against the Sand and Sea Club arrangement. By memo dated April 13, 1972 the superintendent stated:

"We do not recommend the leasing of any public property for private club uses unless it can be clearly shown that there is no public demand for usage of the property. In the instance of Santa Monica State Beach this would seem to be lacking."

The memo further stated:

"...District 5 has consistently held the opinion that the best use of the property in the public interest would be to remove the old buildings, enter into a contract for a modern public concession and provide as much parking as would be possible without unnecessary encroachment on the sandy beach."

By letter dated May 5, 1972 the Director of Parks and Recreation advised the Santa Monica City Manager again of conditions upon which he would consider approving the Sand and Sea Club lease. These conditions were that: (1) the city submit a master plan for the beach by January 1, 1973 (2) any improvements or modifications incorporated into the concession agreement were to conform to this master plan, (3) the city was to establish a special revenue fund to deposit receipts from the agreement: the first four years' rent receipts to be used for improvement enhancement of the Santa Monica State Beach in general, the last five years' rent receipts to be used to raze the existing structures at the beach club facilities, (4) the agreement was to clearly state that the facilities were to be open to the general public on a first-come, first-serve basis and that the specific uses of the premises by the general public be clearly defined in the concession agreement.

The director's requirements were not complied with. In fact, on March 14, 1972, almost two months before the May 5, 1972 letter wherein the director stated he would not approve a lease if facilities were not to be open to the public, a nine-year concession agreement ending May 31, 1981 was executed between the City of Santa Monica and Pacific Parks Inc. for the exclusive use of the club facilities by the Sand and Sea Club. This agreement was approved by the Department of Parks and Recreation.

The private beach club continues in operation on state park property in the same manner as it operated prior to the state acquisition in 1960.

Jonathan Club

In 1950, the Department of Parks and Recreation acquired approximately .39 of an acre of beach front property at Santa Monica. The property was turned over to the City of Santa Monica for operations by the city under the operating agreement executed pursuant to Section 5007 of the Public Resources Code. The property is being operated by the Jonathan Club, a private beach club, under a concession agreement with the city.

Under the concession agreement the property is to be used for public parking; however, the primary use is for club members' parking.

Beach House and Adjacent Property

In 1968, the Department of Parks and Recreation acquired 13.4 acres of beach property in the Malibu area. The property is located between State Highway 1 and the Pacific Ocean adjoining Malibu Lagoon State Beach. The property was acquired by a condemnation action. The court award was for \$2,692,000 which is approximately midway between the state's appraisal of \$1,850,000 and the owner's appraisal of \$3,500,000. The subject property has about 1,000 feet of sandy beach ocean frontage. Building improvements include a 5,200 square-foot two story residence, garages, caretakers residence, bath house, swimming pool, and other accessory buildings.

In 1965, the Legislature appropriated \$1,050,000 for this project. The budget augmentation required to make this acquisition was approved by the State Public Works Board on April 4, 1968, based upon justification presented on that day by the Director of Parks and Recreation. The bases of his justification were as follows: (1) the residence could be put to use as an interpretive center, office facility or as a reception area for the public, (2) the property was needed to alleviate access problems to the beach, (3) the property had historical and ecological values, (4) the use and development of the property would not cater to any particular segment of the public, (5) the upland portion of the property (location of the beach house) was needed for parking, and (6) this project was a first priority item.

Since the acquisition, only the beach area of approximately four acres has been made available to the public. The beach is operated by the County of Los Angeles. The remaining upland portion of the property (approx-

imately nine acres) has been closed to public use and the beach house located there has been leased to the seller who pays no cash rent but is responsible for some maintenance and repair work.

At present the house is occupied by the Chancellor of Pepperdine University.